



In "How to Plan for Your Retirement: Part One," you learned how to get started. Now, let's take a look at where you can save your money to reach your goals.

Read Our Other Investing Tips

- Learn How to Invest
- Learn How to Invest in the Stock Market
- Planning for Retirement
- Teaching Kids to Invest
- Investing for Kids

Planning for Retirement: Part Two

Where Will and Can My Retirement Money Come From?

- **Your Work-** Every company's plan will be different. Be sure to understand your work's retirement plan and take full advantage of the retirement plans your employer offers.
 - **Defined Benefit Plans-** These provide employees with a specific amount of money as defined in the company's plan when the employee retires.
 - **Pensions-** Employers make contributions to employees. The employee may or may not be able to contribute to pensions.
 - **Cash balance plans-** In this plan, employers provide employees a set percentage of his or her yearly salary plus interest.
 - **Defined Contribution Plans-** The retirement benefits of these plans vary according to how much money an employee invested and the rate of return on their investment.
 - **Profit-sharing plans-** Some companies offer this plan as a way to share a portion of its profits with the employees.
 - **Money purchase plans-** Employers who offer this plan make a fixed contribution to every qualified employee.
 - **Salary reduction plans-** Tax deferred plans that allow employees to contribute a certain amount of their pre-tax salary to stocks and bonds of their choice.
 - **401(k) Plan-** Employees who participate can defer part of their salary to the 401(k) plan, choosing from a wide range of investments. Taxes are assessed upon withdraw. The best part of this plan is that many employers match employee contributions!
 - **403(b) Plan-** This plan is for educational, religious, and charitable organizational employees. Unlike the 401(k) plan, this plan only allows employees to pick from annuities and mutual fund investments. Taxes are deferred until withdraw.
- **Individual Retirement Account (IRA)-** IRAs are personal savings plans that allow you to contribute up to \$4000 a year.
 - **Traditional IRA-** Tax-deferred retirement plans that allow individuals to invest up to \$4000 annually in investments of their choice. Contributions may be tax-deductible depending on income and participation in employer sponsored retirement plans.
 - **Roth IRA-** Retirement plans that allow individuals to invest up to \$4000 annually in investments of their choice. Contributions are not tax deductible. However, at age 59 ½, the individual can

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- withdraw earnings tax free.
- **Keogh (HR-10) Plan-** These are plans for self-employed people or small business owners. These are also tax-deferred plans.
- **Investment Account-** If your budget permits, set-up a separate investment account with a brokerage, mutual fund, or bank to save even more money. You will not receive the tax breaks that you might with retirement accounts, but you will have extra money for retirement or for other long-term goals.

Retirement planning may seem like a daunting task, but with the proper planning you can rest easy when you reach those golden years. As with all financial investments, there is risk. Talk to a financial advisor for suggestions or to help you start your plan.

